

Bond Market Insight

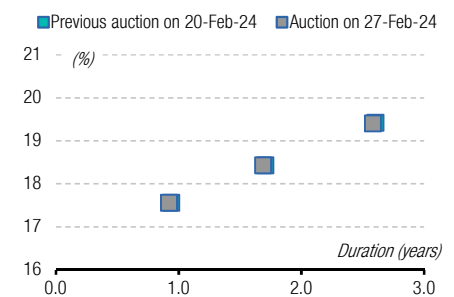
UAH borrowings steady above UAH5bn per week

Comment on government bond placement

WEDNESDAY, 28 FEBRUARY 2024

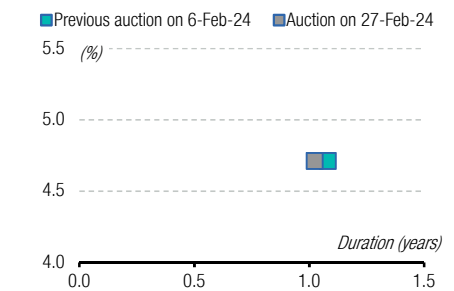
Yesterday, the Ministry of Finance attracted UAH11bn to the budget, half of which was in hryvnia. Overall, borrowings are down from the previous week by about a third, but they remain significantly higher than in late January and the first two weeks of February. The decrease was due to lower proceeds in foreign currency.

UAH-denominated domestic gov't bonds: yield curve in past two auctions



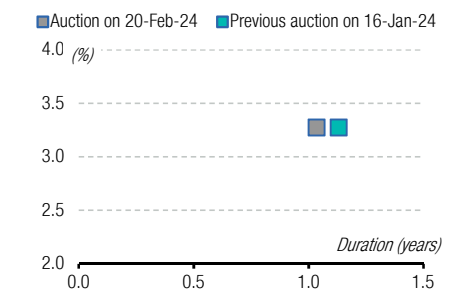
Source: Ministry of Finance of Ukraine, ICU.

USD-denominated domestic gov't bonds: yield curve in past two auctions



Source: Ministry of Finance of Ukraine, ICU.

EUR-denominated domestic gov't bonds: yield curve in past two auctions



Source: Ministry of Finance of Ukraine, ICU.

Table 1. Details of domestic government bonds placed at the auction (UAHbn)

ISIN	Coupon rate (%)	Payment freq ¹	Maturity	Qty of bonds sold	Price (UAH)	Proceeds ² (UAHm)	Volume ² (UAHm)	YTM ³ (%)	Outstanding (m) ⁴
UA4000230213	16.80	SA	12-Mar-25	3,000,000	1,077.30	3,231.91	3,000.00	17.56	9,617.75
UA4000230262	17.60	SA	28-Jan-26	2,175,179	1,013.06	2,203.59	2,175.18	18.43	6,390.08
UA4000230270	18.50	SA	7-Jul-27	95,310	1,024.35	97.63	95.31	19.40	2,500.45
Total UAH				5,270,489		5,533.13	5,270.49		18,508.28
UA4000230106	4.65	SA	20-Mar-25	139,756	1,020.45	5,461.47	5,352.01	4.71	12,192.34
Total USD				139,756		5,461.47	5,352.01		12,192.34

Note: [1] payment frequency abbreviations: M - monthly, Qtly - quarterly, SA - semi-annually, @Mty - at maturity date; [2] proceeds and volumes for the USD-denominated bonds are calculated based on the previous day's exchange rate 38.3/USD, 41.71/EUR; [3] yields on coupon-bearing bonds are effective yields to maturity. Sources: Ministry of Finance of Ukraine, Bloomberg, ICU.

At yesterday's primary auction, the MoF offered well-known instruments: UAH-denominated bonds with one-, two-, three-year maturity, and one-year USD-denominated bills. The MoF raised UAH11bn (US\$287m), including UAH5.5bn (US\$144m) in local currency. Demand exceeded the cap only for the 12-month UAH bills.

The greatest demand was for 12-month military bills. The Ministry received 20 bids for UAH4.1bn (US\$107m), including almost half in non-competitive bids (satisfied at the weighted average rate). Within the UAH3bn (US\$78m) cap, the Ministry accepted all non-competitive bids (UAH1.9bn) at a weighted average rate of 16.8%, unchanged since mid-January. Also, the MoF completely satisfied the competitive demand with rates from 16.75% and below 16.8%, which was insignificant and did not affect the weighted average rate. The rest of the competitive bids were satisfied at 16.8%, but partially within the cap and in proportion to each bid size.

For two-year and three-year securities, the MoF satisfied all bids, as demand was lower than the cap and at unchanged rates from previous auctions. For two-year paper, the minimum rate (17.55%) did not affect the weighted average rate, while for a three-year note, the weighted average rate slid by 1bp to 18.49%.

Generally, UAH borrowings have shown stability for the fourth week, staying above

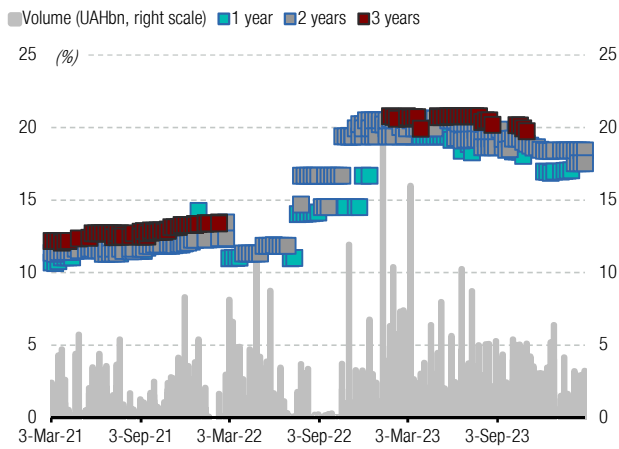
UAH5bn (US\$130m). However, in the structure of demand and proceeds, they shifted from three-year notes to one-year bills.

For USD-denominated bills, the Ministry sold less than half of the planned amount, almost US\$140m out of US\$300m of the cap. The budget received US\$142.6m of proceeds at the usual 4.66% interest rate, although the MoF rejected one small US\$30,000 bid at 5% rate.

Appendix: Yields-to-maturity, repayments

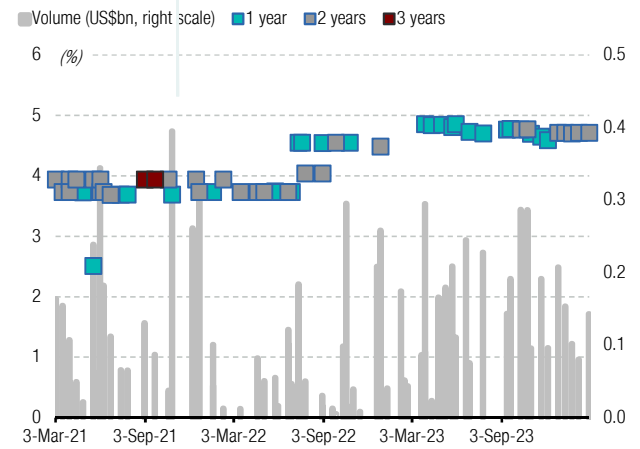
Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

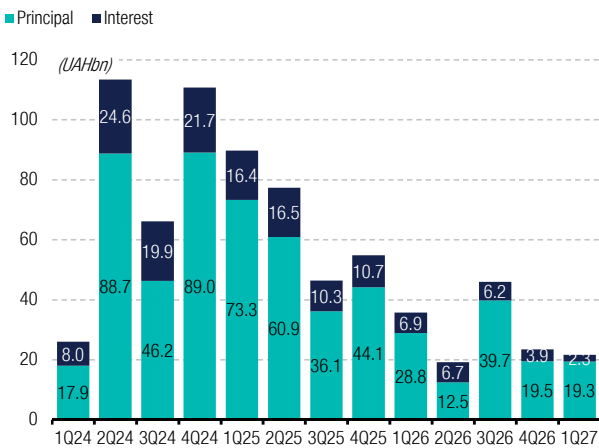
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

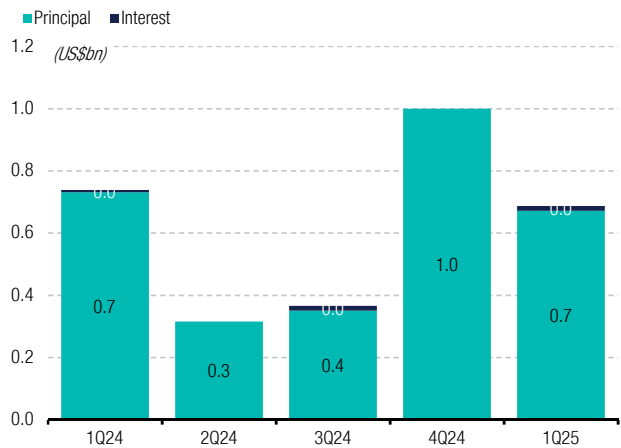
Chart 2. Future repayments on domestic government bonds (in billions of currency)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

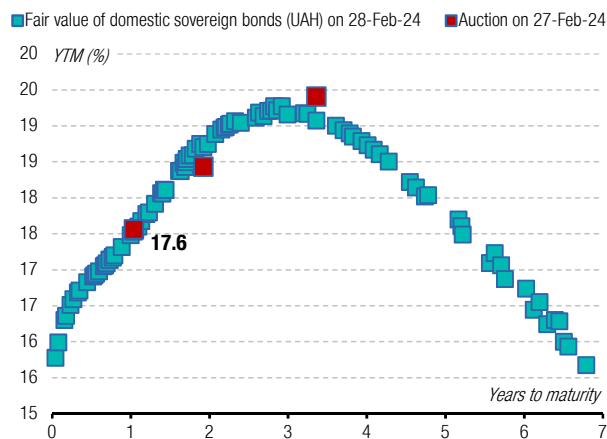
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

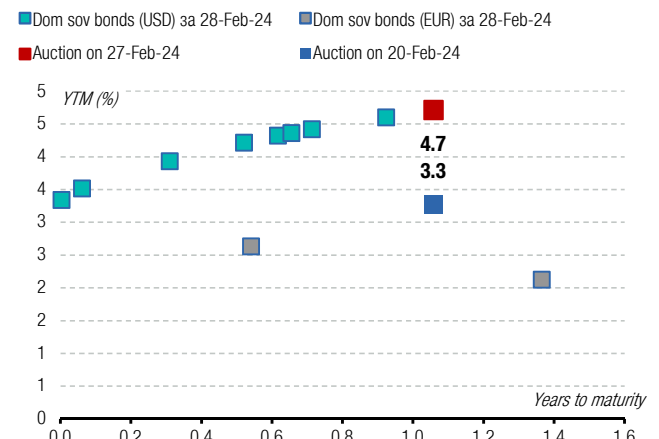
Chart 3. YTM of domestic government bonds as calculated by NBU versus placements via primary market auctions

UAH-denominated domestic government bonds



Source: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

USD- and EUR-denominated domestic government bonds



Source: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

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